

CTT Systems (CTT)

Sweden | Aerospace | MCAP SEK 1,729m

16 June 2026

Buy

Target price: SEK 207
 Current price: SEK 138
 Upside: 50.0%

CTT, You Are Now Cleared for Takeoff

CTT Systems (“CTT” or “the Company”) is a Swedish manufacturer of active humidity control systems which are installed in aircraft. The Company solves a so-called “humidity paradox,” where excess moisture builds up in the airframe while the cabin becomes excessively dry. CTT is the sole supplier of these systems to Airbus and Boeing, serving over 80 airlines globally. Since the COVID-19 pandemic, aircraft manufacturers have suffered from major supply chain disruptions. CTT has additionally faced negative distributor inventory effects, foreign exchange headwinds, and the US-Iran conflict, all of which have driven a weak investor sentiment and pressured the share price, resulting in a -29.4% YTD return as of 16 June 2026. However, new distributor agreements, positive guidance, and recovering aircraft production rates create a compelling investment case, with EBIT estimated to increase by 270% from 2025A to 2027E. The market appears to underestimate both the pace of recovery in OEM sales and the stabilization of the aftermarket segment, supporting a return to an EBIT margin above 30%. An equally weighted DCF and peer valuation implies a potential upside of 50.0%.

Key takeaways

- OEM Growth Supported by a Recovery in Aircraft Production:** CTT’s OEM sales correlate strongly with Airbus’ and Boeing’s widebody output, given its position as the sole supplier of active humidity control systems. Both manufacturers have suffered from significant supply chain disruptions since COVID-19 but have recently begun ramping up production, targeting a 75% increase in widebody output through 2027, gradually working through a backlog of over 2,500 aircraft. With a 90% penetration rate across these models, CTT is expected to deliver 62% OEM sales growth over the period, further expanding the installed base that underpins aftermarket revenues.
- Higher Penetration in Passenger Cabins:** CTT’s humidifiers were previously limited to cockpit and crew rest installations, but both the A350 and the upcoming B777X now support cabin installations as well. This expands the addressable units per aircraft from 2 to 5, significantly boosting per-aircraft revenue and expanding the installed base per aircraft by 150%. CTT has already seen early adoption, with 8 airlines opting to include humidifiers as standard in their premium cabins.
- Fuel Price Volatility Increases Demand for De-Humidifiers:** CTT’s de-humidifiers reduce fuel consumption by 0.5% and lower maintenance costs through reduced airframe corrosion. Elevated jet fuel prices further strengthen the investment case for de-humidifiers, increasing airline interest in fuel-saving systems. CTT recently secured its largest retrofit sale, supplying de-humidifiers for 146 Jet2 A321s, validating the economic viability of these installations and setting a compelling precedent for other low-cost carriers.

Analysts

Isak Andersson Financial Analyst
 Viktor Komarek Financial Analyst

Market Data, SEK

Exchange Nasdaq Stockholm
 Shares (m) 12.5
 MCAP (m) 1,729
 EV (m) 1,750

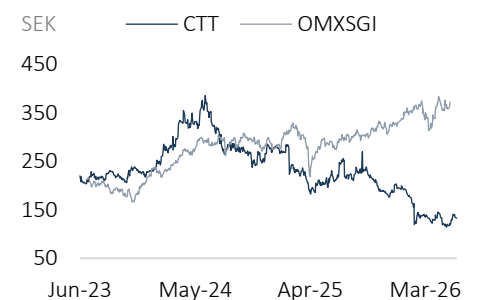
Metrics & Drivers	25A	26E	27E
EV/EBIT	39.0x	14.3x	10.5x
EV/EBITDA	34.1x	13.4x	10.1x
EV/S	6.7x	4.9x	4.0x
P/E	48.6x	17.9x	13.2x
ND/EBITDA	0.4x	0.2x	0.1x

Forecast, SEKm	25A	26E	27E
Net Sales	262	355	433
Rev. Growth y/y	(12.8%)	35.7%	22.0%
Gross Profit	192	285	348
Gross Margin	69.7%	77.2%	77.2%
EBITDA	51	130	174
EBITDA Margin	18.7%	35.2%	38.6%
EBIT	45	122	166
EBIT Margin	16.4%	33.1%	36.9%

Major Shareholders

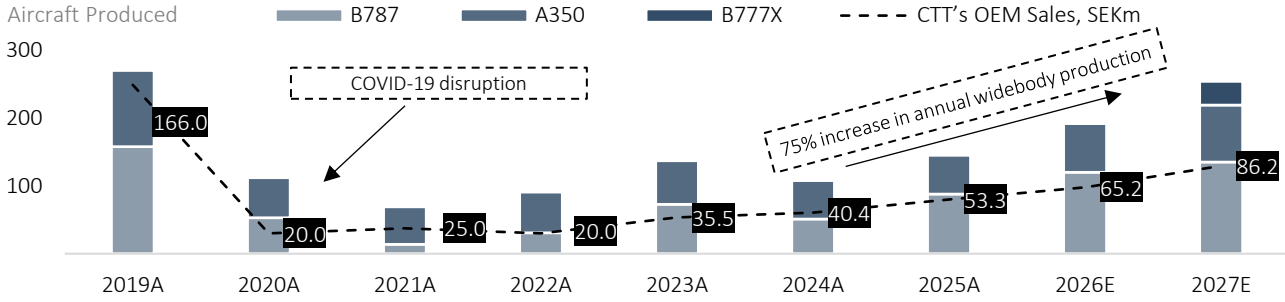
Tomas Torlöf 14.6%
 SEB Funds 9.3%
 ODIN Funds 8.7%

Price Development, SEK



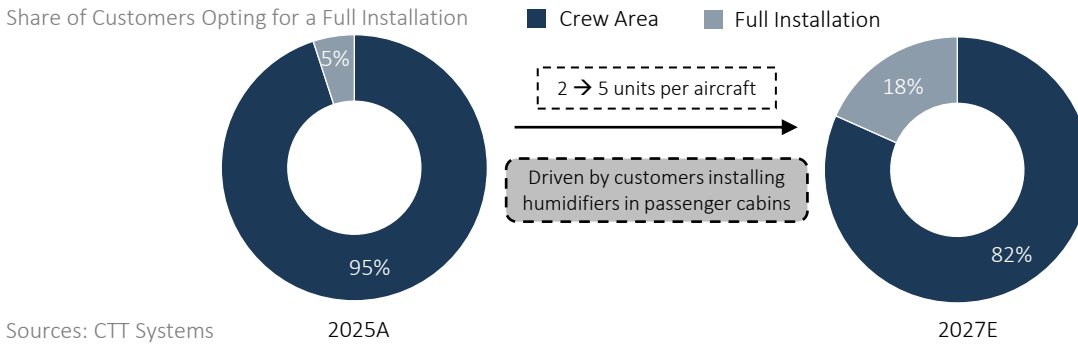
Investment Thesis in Charts

Aircraft Manufacturers Recovery



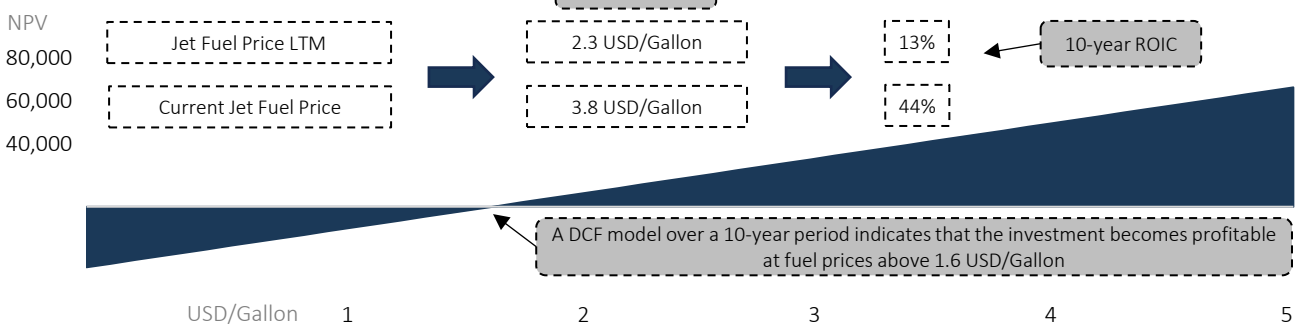
Sources: Airbus, Boeing, CTT Systems, Analyst Estimates

Penetration in Passenger Cabins



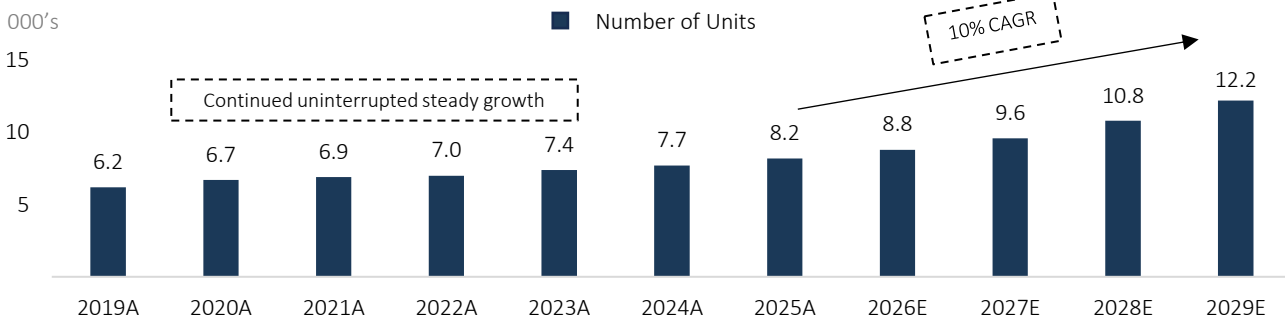
Sources: CTT Systems

NPV of a Customer Investment in a De-Humidifier



Sources: IATA

Installed Base



Sources: ABG Sundal Collier, Analyst Estimates

Investment Thesis

Outside Noise Pressuring the Share Price

The CTT share price has been significantly pressured since the wind-down of Sweden's First National Pension Fund (AP1) in January 2026. Sweden's Second National Pension Fund (AP2) has since continued to sell shares, creating persistent asymmetric supply-demand imbalances with over 8% of the free float changing hands. The US-Iran conflict, which began in late February 2026, has further weighed on the broader aerospace industry, contributing to an approximately 29.4% YTD decline in CTT's share price. This appears disproportionate, as CTT's products are primarily installed in aircraft unaffected by recent route cancellations. The combination of forced institutional outflows and indiscriminate negative sentiment has disconnected CTT's share price from its underlying fundamentals. CTT is currently trading near its 10-year average EV/EBIT multiple of 37.9x despite 2025A EBIT being temporarily depressed at SEK 44.9m, compared to over SEK 100.0m in prior years. Given the estimated EBIT recovery, this creates a compelling entry point for investors.

Recovery in Aircraft Production

CTT Systems' unique position as the sole supplier to Airbus and Boeing of active humidity control systems creates a de facto monopoly across the entire widebody OEM market. Accordingly, CTT's OEM revenues correlate closely with the output of widebody aircraft, including the A350, B787, and B777X. Both Airbus and Boeing have suffered from supply chain disruptions since COVID-19, with production yet to recover to pre-pandemic levels. Output has nonetheless gradually stabilized, rising from approximately 5 widebody deliveries per month in early 2025 to 8 by Q1 2026, still well below the pre-pandemic level of 14 per month. Airbus and Boeing are currently projecting a 75% increase in widebody output through 2027, supporting 62% OEM sales growth for CTT while expanding the installed base by 17%. This supports a more profitable product mix, with higher aftermarket revenues and improved OEM profitability as fixed costs are spread across increased volumes, implying a 36.9% EBIT margin by 2027E.

Higher Penetration in Passenger Cabins

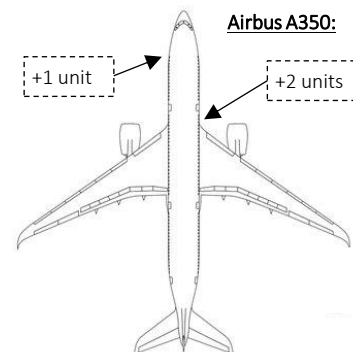
Previously, CTT humidifiers were primarily installed in crew areas, with a 90% penetration rate on the B787. However, both the A350 and the upcoming B777X enable customers to extend humidifier installations to passenger cabins as well. With legacy carriers currently undergoing significant cabin refurbishments at an average cost of SEK 250m per aircraft, the case for installing CTT products appears increasingly attractive, acting as a multiplier on broader cabin investments. When airlines install humidifiers in passenger cabins, the number of OEM units per aircraft increases from 2 to 5, materially expanding both OEM sales and recurring aftermarket revenues, allowing CTT to grow faster than the underlying recovery in aircraft production. CTT has recently seen traction in airline configurations, with 8 airlines opting for humidifiers as standard in their premium cabins. This could set a positive precedent, ultimately positioning passenger-area humidifiers as an industry standard, much like crew-area humidifiers.

Fuel Price Volatility Increases Demand for De-Humidifiers

CTT's de-humidifier system delivers an estimated 0.5% reduction in fuel consumption while also reducing airframe corrosion and lowering long-term hull maintenance costs. Global uncertainty and elevated jet fuel prices further strengthen the investment case for installing de-humidifiers. Based on an NPV calculation using an 8.2% WACC, current fuel prices of 3.8 USD/Gallon imply a 44% 10-year ROIC, compared to 13% at LTM levels of 2.3 USD/Gallon. CTT recently gained traction through Jet2's installation of de-humidifiers across 146 A321s, validating the unit economics on narrowbody platforms and signaling a potential category expansion to a substantially larger fleet segment. The A320 family alone accounts for over 12,600 deliveries, compared to 1,830 combined B787 and A350 deliveries. European low-cost carriers alone represent an addressable fleet of 1,354 aircraft, supporting a projected 20.5% retrofit sales CAGR from 2026 to 2029.

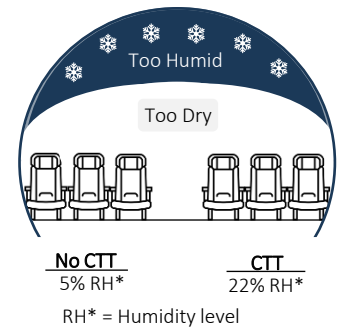


Head of Contracts at SAS:
 "CTT's humidifiers are products that leverage other investments in the premium cabin. Customers can experience all other investments to a greater extent"



Company Overview

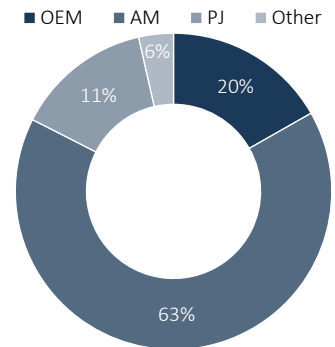
CTT Systems is a Swedish market-leading manufacturer of active humidity control systems across commercial aircraft and private jets. CTT addresses the so-called “aircraft humidity paradox” where cabin air is too dry for both passengers and crew, while excess condensation accumulates in the airframe, simultaneously harming passengers’ well-being and increasing aircraft weight and corrosion. CTT operates two separate product groups: a humidifier system and a de-humidifier system. The humidifier system raises cabin humidity to comfortable levels above 20% RH, while the de-humidifier system eliminates moisture accumulation, reducing the aircraft weight by around 300 kg and lowers fuel consumption by 0.5%. CTT is the sole supplier of active humidity control systems for both Airbus’ and Boeing’s latest widebodies, including the A350, B787, and B777X. The company’s business model is heavily anchored in a high degree of recurring income from aftermarket products such as consumables and spare parts, supported by an installed base of approximately 8,200 units as of 2025A. The aftermarket segment has accounted for over 60% of net sales in recent years, providing both resilience against short-term OEM production fluctuations and supporting strong profitability.



Business Model

Razor-and-Blade Model Supports Profitability

CTT operates its business model by offering products across four channels: OEM line-fit through Airbus and Boeing, Aftermarket, Private Jet, and Other (primarily retrofit). Since the pandemic, aftermarket revenues have grown substantially while OEM sales have yet to fully recover due to ongoing supply chain disruptions at Airbus and Boeing. The higher margins within the aftermarket segment have increased CTT’s EBIT margin to ~38% in recent years, supporting a razor-and-blade business model where OEM sales build a growing installed base that subsequently generates recurring aftermarket revenues, with estimated EBIT margins of up to 42.9%. This razor-and-blade dynamic both structurally enhances profitability and reduces exposure to the cyclical nature of aircraft manufacturers’ output. With over 80 airlines as customers, CTT’s products are deeply embedded in and widely adopted across aviation industry standards.



Market Overview

Structural Growth in the Aviation Industry

According to Airbus, the global commercial aviation market is projected to grow by 8% annually through 2027, moderating to a CAGR of 4% thereafter. This trajectory is underpinned by robust demand fundamentals, with passenger load factors reaching record highs above 83% in 2025. Despite near-term headwinds, the structural case for air travel remains compelling, directly supporting CTT’s business model and providing a durable tailwind for both OEM sales and aftermarket revenues.

OEM Recovery

Airbus and Boeing have experienced severe supply chain disruptions since the pandemic, with aircraft output declining sharply after 2020. While output has remained weak, orders have stayed strong, resulting in a backlog of over 2,500 aircraft across models relevant to CTT. However, both manufacturers have been ramping up production in recent quarters, with Boeing increasing monthly B787 output from 5 to 8 units during 2025 and targeting 10 by year-end 2026. Airbus and Boeing are currently projecting their widebody output to grow by 75% through 2027. With CTT’s 90% penetration rate on the B787, this ramp-up implies 62% growth in CTT’s OEM sales over the same period.

- OEM:** Sales of new systems to new aircraft
- AM:** Recurring sales of filters and spare parts
- PJ:** OEM sales to private jets
- Other:** Retrofit and other income

Valuation

DCF and Peer Valuation Imply a Target Price of SEK 207.0

The DCF projects free cash flow over a ten-year period using a discount rate of 10.1% and a terminal growth rate of 2.0%. Free cash flow scales with revenue growth, while the FCF margin is estimated to expand from 25% in 2026 to 34% in 2035, in line with the stabilized EBIT margin. The peer group consists of similar manufacturers that supply non-competing products to Airbus and Boeing. CTT differs from the peer group by acting as the sole supplier of its products, giving it a monopoly-like status. CTT's favorable market position and strong margins support a premium valuation and justify comparison with larger peers. Combining the two valuation methods, equally weighting the DCF and peer valuation implies a target price of SEK 207.0, representing an upside of 50.0%.

DCF, SEKm	
Sum of PV of FCF	1,207
PV of TV	1,501
Enterprise Value	2,708
Net Debt	20.9
Equity Value	2,687
NOSH (m)	12.5
Implied Share Price (SEK)	214
Current Share Price (SEK)	138
Implied Upside	55.4%

Peer Valuation, SEKm	Market Data		Balance Sheet	EBIT Margin	EV/EBIT	
	MCAP	EV	ND/EBITDA	26-27E Avg	2026E	2027E
FACC AG	8,566	9,142	3.6x	6.8%	12.7x	8.9x
TAT Technologies	5,360	5,041	(1.7)x	11.9%	25.1x	18.1x
IS&S	2,933	3,383	0.9x	24.1%	15.2x	15.2x
Median	5,360	5,041	0.9x	11.9%	15.2x	15.2x
Average	5,619	5,855	0.9x	14.3%	17.7x	14.0x
CTT Systems	1,729	1,750	0.4x	35.0%	14.3x	10.5x

Sources: Analyst Estimates, FactSet

Shortened CCC With Increased Volumes

The COVID-19 pandemic increased CTT's Cash Conversion Cycle significantly because of delayed orders and low sales volumes. As a result, CTT intentionally maintained a resilient inventory to protect delivery capabilities. The elevated working capital position therefore reflects a deliberate strategic choice rather than a structural issue. Both management guidance and analyst estimates suggest that CTT will revert the CCC to pre-COVID levels. Inventory forecasts assume modest inventory growth, implying that future sales growth will gradually dilute the working capital burden. Stronger cash conversion enables CTT to fund growth investments and provides additional capacity for capital allocation, including dividends and share repurchases.

Short delivery times from Airbus and Boeing are common, making a robust and agile inventory critical



Cash Conversion Cycle, Days	2019A	2020A	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E
Days Inventory Outstanding (DIO)	253	598	972	860	686	729	543	516	465	375	336
Days Sales Outstanding (DSO)	74	71	93	95	58	79	75	71	71	71	71
Days Payable Outstanding (DPO)	79	100	149	132	88	128	71	96	96	96	96
CCC	247	568	916	823	656	680	547	491	440	350	311

Sources: CTT Systems, Analyst Estimates, Bloomberg

Sensitivity Tables

WACC	TGR						WACC	Gross Margin					
	SEK	1.0%	1.5%	2.0%	2.5%	3.0%		SEK	67.2%	72.2%	77.2%	82.2%	87.2%
7.1%	319	339	363	391	427	222	259	295	331	368			
8.6%	248	259	271	286	303	187	218	248	279	310			
10.1%	200	207	214	223	233	160	187	214	240	267			
12.6%	149	153	156	160	165	123	144	165	186	207			
15.1%	117	119	121	123	125	99	116	133	150	167			

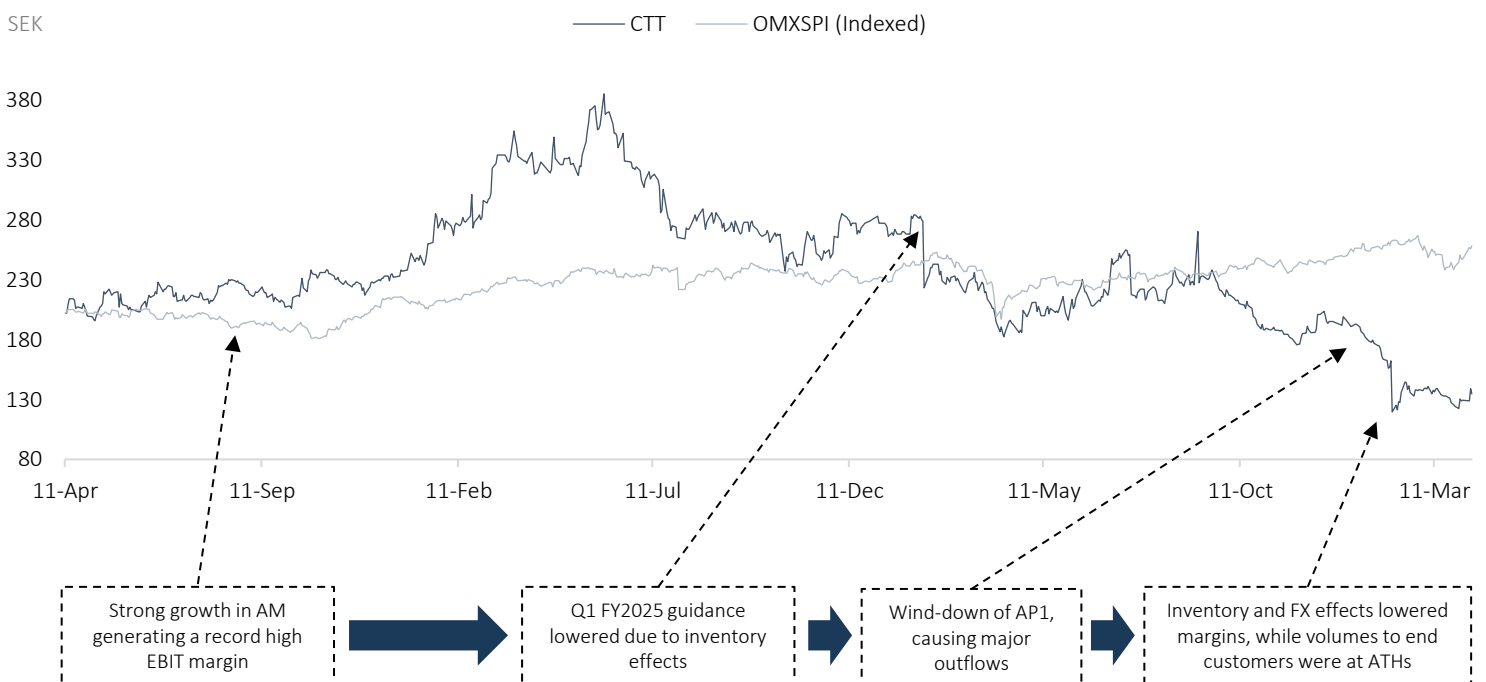
Sources: Analyst Estimates, Bloomberg

Appendix – Income Statement

Income Statement, SEKm	2022A	2023A	2024A	2025A	2026E	2027E
Net Sales	241	309	300	262	355	433
Other Income	22	3	19	13	15	18
Total Revenue	263	312	319	275	370	451
COGS	(49)	(58)	(63)	(83)	(84)	(103)
Gross Profit	214	254	256	192	285	348
<i>Gross Margin</i>	81.2%	81.5%	80.4%	69.7%	77.2%	77.2%
Other External Costs	(35)	(42)	(50)	(45)	(56)	(68)
Personnel Costs	(69)	(74)	(79)	(80)	(85)	(89)
Other Operating Expenses	(10)	(11)	(7)	(15)	(14)	(17)
EBITDA	100	128	120	51	130	174
<i>EBITDA Margin</i>	37.9%	40.9%	37.6%	18.7%	35.2%	38.6%
D&A	(8)	(9)	(8)	(6)	(8)	(8)
EBIT	92	119	113	45	122	166
<i>EBIT Margin</i>	34.9%	38.0%	35.3%	16.4%	33.1%	36.9%

Sources: CTT Systems, Analyst Estimates

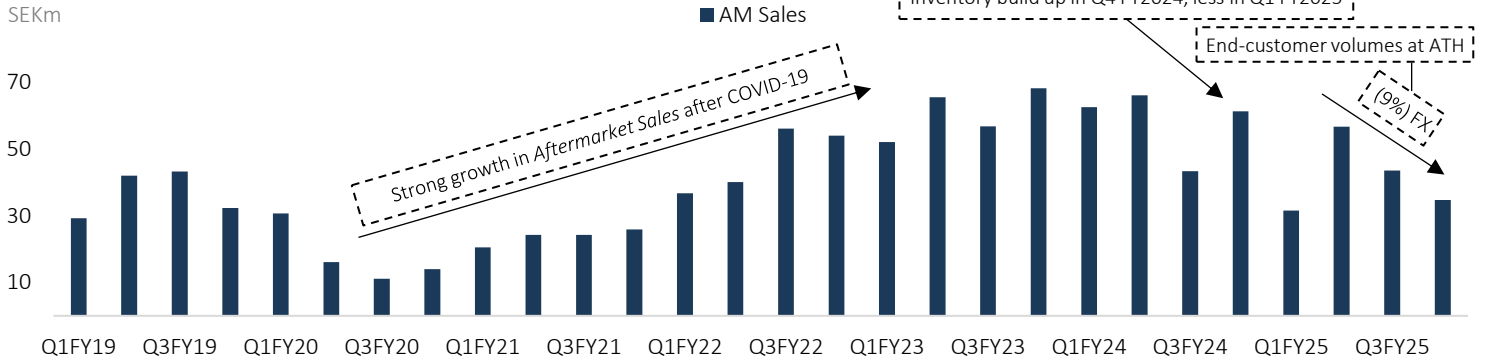
Appendix – Stock Price Performance



Sources: Nasdaq, CTT Systems, MFN Holdings

Appendix – Aftermarket Sales

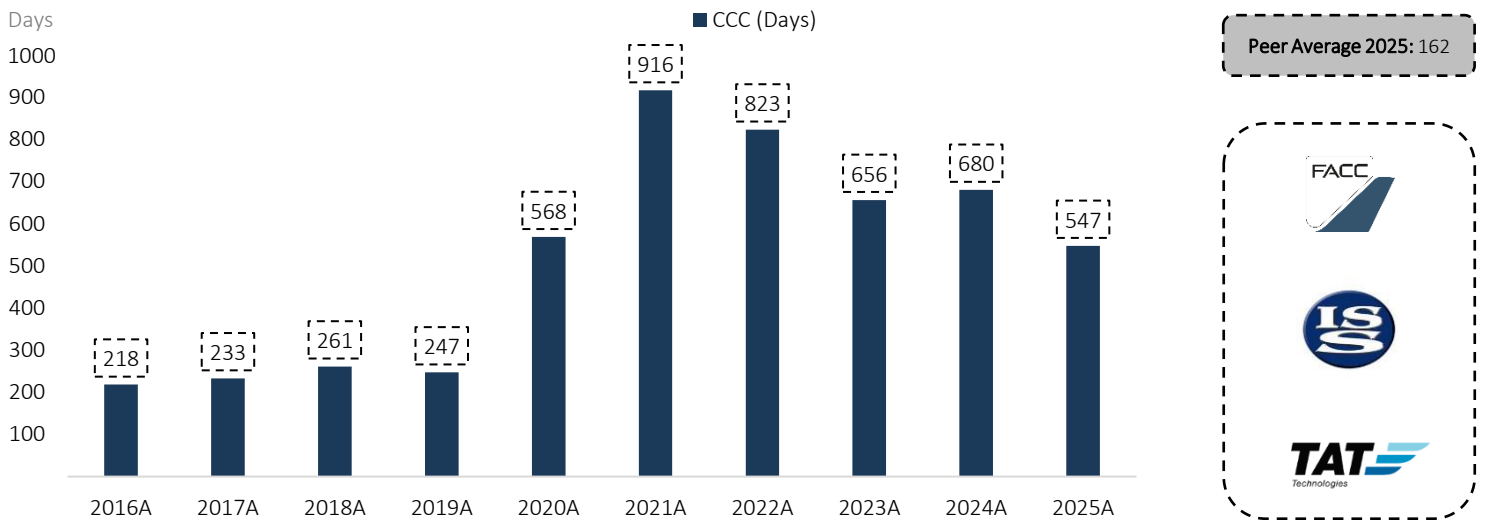
CTT's Quarterly Aftermarket Sales



Sources: CTT Systems

Appendix – CCC History

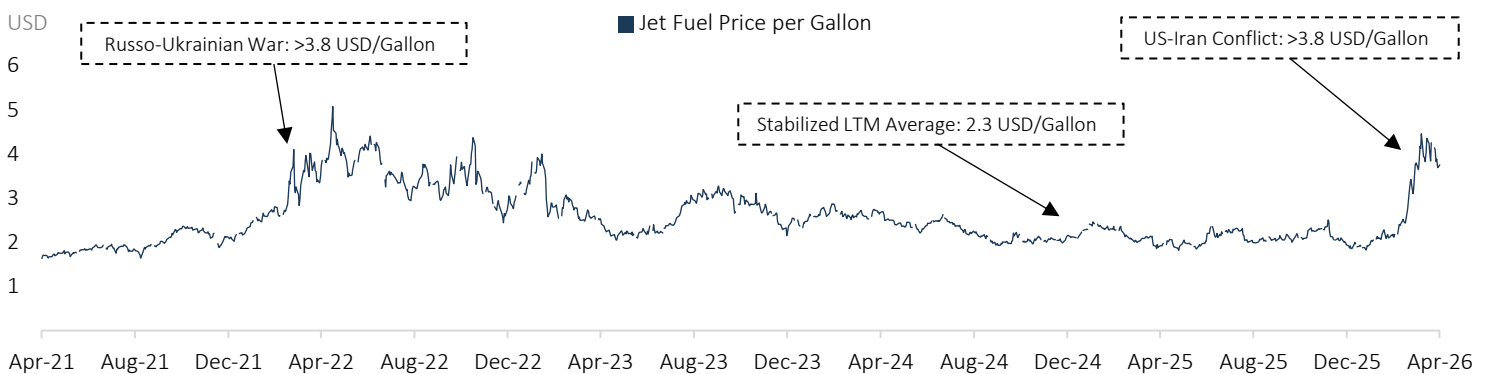
CCC Increase Post-COVID



Sources: CTT Systems, Quartr, Bloomberg

Appendix – Jet Fuel Prices

Global Jet-Fuel Prices Last 5 Years



Sources: Airbus, Boeing, IATA, Air France-KLM, Lufthansa Group, IAG

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Disclaimer

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Other

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